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SUBJECT: AMBASSADOR'S VISIT TO SEVILLE, SOCIALIST HEARTLAND

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Summary

1. (SBU) During the Ambassador's June 3 visit to Seville, Andalusia Region President Manuel Chaves told him that Spanish President Zapatero seeks "normal, strong" relations with the US despite Zapatero's rapid withdrawal of Spanish troops from Iraq. Chaves, a long-time Socialist party "boss," stressed that the Popular Party had lost the March 14 general election because of Aznar's commitment of troops to Iraq, not because of the March 11 Madrid terrorist attacks.

Looking ahead to the June 13 EU Parliament elections, Chaves said that while the Socialists are favored to win, the public is apathetic. A low turnout would boost the Popular Party's chances. The Ambassador also met in Seville with Jose Antonio Viera, central government delegate to Andalusia. Viera expressed concerns that Islamist terrorists might hide among the 2.7 million Moroccans expected to travel through Andalusia in July and August. Andalusian business leaders expressed high regard for Second VP and Economy Minister Solbes, but were worried that the Zapatero government, as a whole, might be bad for business. End Summary.

Reaching out to the Regions

2. (SBU) The Ambassador made a one-day visit June 3 to Seville, the capital of Andalusia, as part of his program of regular travel to Spain's 17 regions. Andalusia has long been a Socialist stronghold, and Socialist former President Felipe Gonzalez hails from there. Andalusia is Spain's largest region, both geographically and in population, with over 7.4 million inhabitants. It is also one of Spain's poorest regions. Tens of thousands of rural residents live on welfare payments (known as PER) targeted at seasonal agricultural workers. The Socialist government distributes the benefits at the local level and this patronage provides them with a solid bloc of voters.

Chaves Adamant on Iraq

3. (SBU) The Ambassador began his visit to Seville with a call on Socialist "Baron," Manuel Chaves. Chaves, President of Andalusia since 1990, won re-election to a fourth term on March 14 regaining an absolute majority for the Socialists in the regional parliament. The Ambassador congratulated Chaves on his victory. Chaves responded with a commentary on Iraq. He said the withdrawal of Spanish troops from Iraq was a political necessity for Zapatero. Aznar's commitment of the troops went against the overwhelming sentiment of Spanish society. The US resort to force in Iraq was a mistake. Zapatero had to withdraw the troops from "Aznar's war" since they should never have been there in the first place, Chaves said.

4. (SBU) Chaves stressed to the Ambassador that Zapatero's March 14 election victory was due not to the March 11 Madrid terrorist train attacks, but to Aznar's involvement in Iraq.

If Aznar had not committed Spanish troops to Iraq, the PP would likely have won nationally on March 14. The terrorist attacks drew attention to the Iraq commitment, but the Spanish public did not vote for Zapatero on the basis of the terrorist attacks, Chaves maintained. What brought the PP down was Aznar's decision to implicate Spain in the Iraq war, he reiterated.

5. (SBU) Underlining that he holds the position of national President of the Socialist Party (PSOE), Chaves affirmed that the Zapatero government wants "normal, strong" relations with the US. He noted that despite the differences on Iraq, Spain remains a US ally. The transatlantic link is vital; indeed it is the linchpin of the world order, Chaves stated.

He added that both Zapatero and FM Moratinos are committed to forging positive relations with the US and were pleased by their meeting with Secretary Powell in Madrid in March.

Rota and Moron

6. (SBU) The Ambassador expressed thanks for the assistance the USG receives from the Andalusian government for the bases in Rota and Moron. Chaves raised the issue of the taxation of Spanish worker salaries, which the GOS instituted several years ago and has resulted in a substantial drop in workers'

take home pay. Chaves expressed the hope that the US military and the GOS taxation authorities could work out "a reasonable solution that is fair to the workers."

Investor Concerns

17. (SBU) The Ambassador told Chaves he wanted to pass along that some business leaders he had spoken with are concerned about the economic outlook under the Zapatero government. The Ambassador noted that US companies had invested over \$50 billion in Spain in the previous five years and that investor confidence was key to keeping that trend going. Chaves said he would pass those concerns on to VP/Economy Minister Solbes when they meet the next week. Chaves stressed that the Zapatero government would not change the fundamental direction of Spain's recent economic policy and that there was no reason for businessmen to be concerned. The appointment of Solbes as Economy Minister was a deliberate signal of the commitment of the Zapatero government to a responsible economic policy, Chaves said.

June 13 EU Parliament Election: Turnout Key

18. (SBU) Regarding the outlook for the June 13 EU parliamentary election, Chaves said he was uncertain. Voter interest in the EU election is low. Turnout is likely to be especially low since the EU vote comes only three months after the intense national elections of March 14. In addition, previous EU parliamentary elections had been held in conjunction with other Spanish elections, while this one is stand-alone. Popular Party voters may be more motivated than PSOE voters. The PP certainly hopes this is the case, and is working hard to turn its voters out. On the positive side for PSOE, Chaves said, Zapatero is enjoying a honeymoon. The decision to pull the troops from Iraq was highly popular.

2.7 Million Moroccans Crossing the Strait This Summer

19. (SBU) The Ambassador also met with the central government's delegate to the Andalusia, Jose Antonio Viera. (One of the delegate's primary functions is to coordinate the activities of the national police and Guardia Civil in the region.) Viera, who until March was Employment and Technology Counselor in Chaves' pre-March 14 government, agreed that the June 13 EU parliament election would have much lower turnout than the March 14 general election. He added that this was unfortunate, since EU issues directly affect Andalusia. Labor costs in Andalusia have been relatively low by EU standards. However, the expansion of the EU largely eliminates the cost advantage of Andalusian labor and may encourage some investors to locate in Eastern Europe instead. As a result, Andalusian businessmen must now focus on Andalusia becoming a higher value investment location, not just a low labor cost location.

110. (SBU) Viera also discussed Morocco. He noted that during July and August about 2.7 million Moroccans would drive through Spain on their way across the Strait of Gibraltar to spend the summer vacation with their families. Many come from France, Belgium or elsewhere in the EU. Viera expressed concerns about the ability of terrorists to mix among the travelers. He said police would step up their presence to monitor the Moroccan travelers. He commented that Spain, as Europe's frontier state with Morocco, was bearing the brunt of such travel. Viera said the EU must do more to reach out to the Maghreb to fight organized crime, terrorism, drug running and immigrant smuggling. Broadening the system for legal guest workers is another goal.

111. (SBU) Regarding the flow of illegal immigrants across the Strait of Gibraltar, Viera said that Spain's electronic monitoring system was highly effective and enabled Spanish police to see the entire coast. Spain will be adding more air patrols to the mix in the next few months to improve efficiency. This is important to cut down on the many immigrant deaths that occur in the crossing of the Strait, he said.

Businessmen: Respect for Solbes, But Still Concern

112. (SBU) The Ambassador also addressed the Andalusian Business Confederation. In the lunch that followed, the Andalusian business leaders conveyed a cautious attitude toward the Zapatero government's economic policy and the potential for a loss of budget discipline. They also expressed worries that, in the wake of the Spanish pullout from Iraq, Spanish products might face a backlash by US consumers. Nonetheless, they had high regard for Economy Minister Solbes. Some credited Solbes as being the one who started Spain on the path to economic growth when he was in Felipe Gonzalez's last cabinet in the mid 1990's. The question, they said, is not Solbes, but whether Solbes can prevail over others in the Socialist government who do not share his philosophy.

¶13. (U) In addition to meetings, the Ambassador was interviewed by various regional media. Press coverage was favorable.

ARGYROS